



Trade Capacity-building Assistance: Best Practices

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Trade Capacity-building Assistance: Best Practices

Part 1

- What trade-related capacity challenges do developing countries face?

Part 2

- What is TCB? How do you do it (best practices)?

Part 3

- What are donors doing now?



Trade-related capacity needs

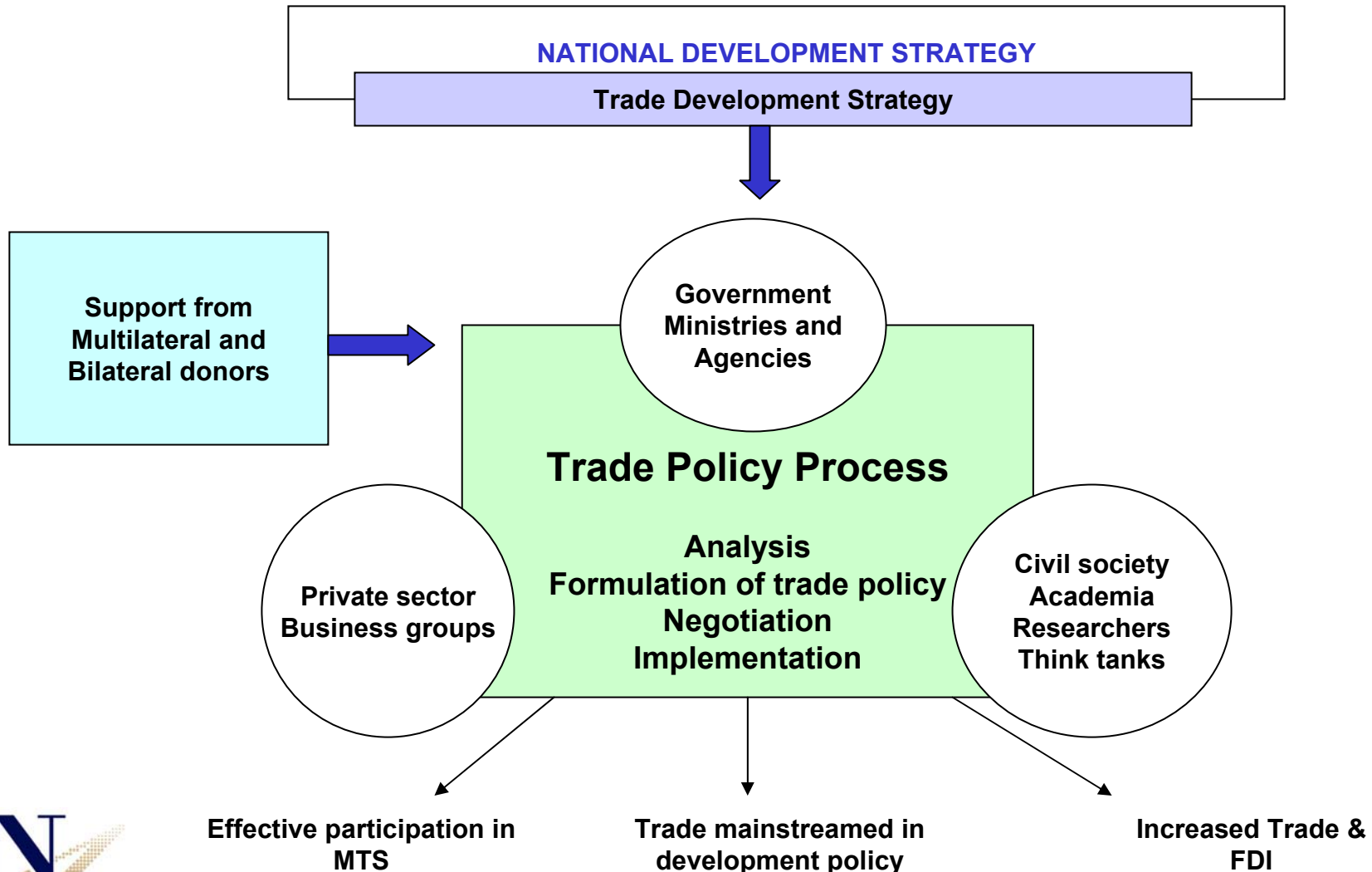
- Participation in negotiations and MTS
- Implementation of trade agreements
- Competitiveness in international trade
- Integrating trade into development strategy
- Linking trade reform/development to poverty reduction

Negotiations = a major challenge

- WTO, regional, bilateral negotiations—coordination problems
- Broad and complex range of subjects (agriculture, services, intellectual property, competition, etc.)
- 36 developing countries don't have missions in Geneva
- Many lack funds for delegations to attend negotiations
- Limited understanding of issues, negotiating positions not based on policy analysis in capital



Trade policy process



Participating in the MTS

- WTO dispute settlement proceedings (defensive/offensive)
- TBT/SPS international standard setting
- Chairing WTO committees
- Contributing papers to Geneva work programs
- Alliance building with like-minded countries



Example: the case of Malawi

- WTO Doha round negotiations
- Negotiations on EU-ACP Cotonou Agreement
- SADC, COMESA Trade Protocol negotiations
- Only 3 staff in Ministry of Trade!
- Little understanding and analysis of trade policy issues
- Lack access to ICTs, no funds for policy studies
- Weak consultation and coordination mechanisms
- No mission in Geneva
- Depend on DFID financing for travel to negotiations
- Other urgent priorities for Government (HIV/AIDS, famine)



Implementing WTO Agreements

- Customs, SPS/TBT, TRIPS, most costly and difficult
- Legally binding deadlines for developing countries and LDCs—or potentially open to dispute settlement
- Require legal and administrative reforms and institutions to support implementation—slow process
- Schedule of notifications for each agreement required by WTO from each country (e.g., any trade remedy measures taken)

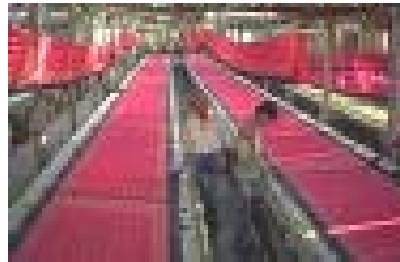


Implementation challenges

- SPS/TBT Agreements require establishment of National Enquiry Points
- In Nepal, automation and training linked to Customs Valuation implementation cost \$3.5m, continued problems with funding and staff capabilities
- World Bank estimates TRIPS implementation has capital costs of \$1.5 to \$2m for training, automation, drafting new laws

Competitiveness agenda

- Developing countries have to increase productivity, lower costs, upgrade quality, and improve marketing
- Create right environment for private sector development—not always easy for public sector to understand business needs
- Attract FDI and fuse into global production networks



Competitiveness agenda (continued)

- At the border
 - Reduce anti-export bias in tariff and trade tax regime
 - Efficient customs administration
 - Availability of good trade support and finance services
 - Warehouse and storage facilities
- Behind the border
 - Trade-friendly macroeconomic climate
 - Cheap transport and telecommunications services
 - Capacity to meet SPS/TBT standards for export markets
 - Skilled, mobile labour force

Competitiveness agenda (continued)

- Beyond the border
 - Build capacity of government ministries and agencies to participate better in the MTS
 - Gain better access to export markets in key sectors
 - Reduce levels of domestic subsidies in export markets to exploit comparative advantage
 - Improve regional security in parts of developing world (e.g., Indian subcontinent)

Competitiveness challenges

- Inability to meet SPS standards cut shrimps exports to EU from Bangladesh by \$80m in 1998
- In Singapore, inefficient customs equals a 15% extra tariff
- Loss of trade preferences creates winners and losers (EU's banana regime and Latin America vs. Caribbean producers)



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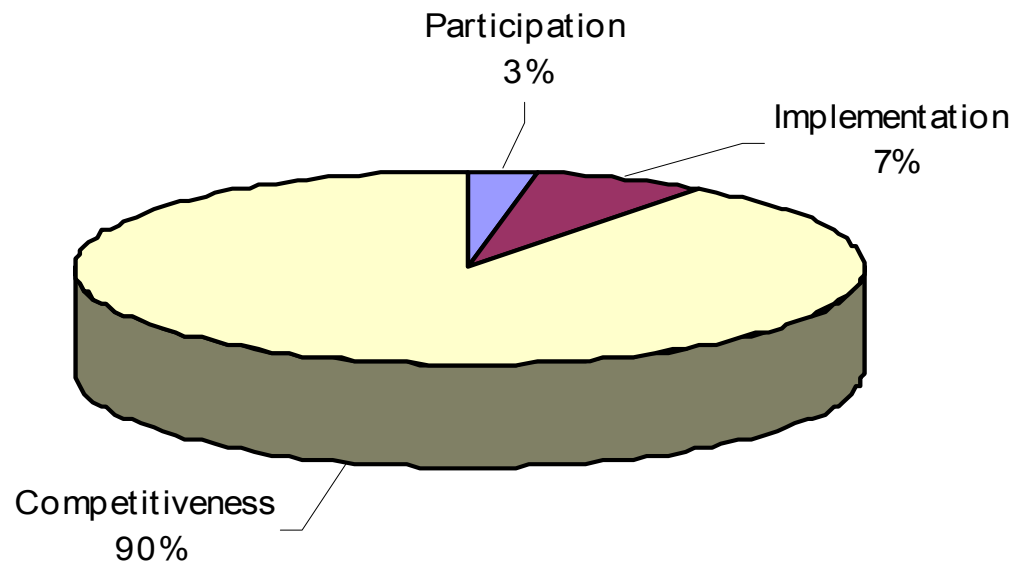


What is trade capacity building?

- USAID definition of TCB activities
 - WTO Awareness and Accession
 - WTO Agreements
 - Trade Facilitation
 - Human Resources & Labour Standards
 - Financial Sector Development
 - Trade-Related Infrastructure Development
 - Environment
 - Competition Policy
 - Agricultural Development
 - Services
 - Governance & Interagency Coordination



USAID TCB Funding, 2002



Objectives of TCB

- Trade capacity building enhances the ability of partner country policymakers, enterprises, and civil society actors to
 - Collaborate in formulating and implementing a trade development strategy that is embedded in a broader national development strategy
 - Strengthen trade policy and institutions
 - Participate in, and benefit from, the institutions, negotiations, and processes that shape national trade policy and the rules and practices of international commerce.

This means helping producers respond to market opportunities!



Source: OECD, The DAC Guidelines: Strengthening Trade Capacity for Development, 2001

Examples of USG TCB activities

- In sub-Saharan Africa, trade policy workshops on WTO agreements and negotiations
- In the Philippines, training customs officials in transactions valuation and duty calculation
- In Mali and Peru, promoting exports of handicrafts by providing business grants facility
- Trade-related infrastructure development in many countries



Examples of USG TCB activities

(continued)

- Competition policy training in South America
- Helping food producers in Ghana meet foreign SPS standards
- Sponsoring resident advisers on WTO accession in several transition countries
- Training and seminars for several hundred developing country officials on enforcement on IPRs



Donor Framework for TCB

- Assessing TCB needs and designing a program
- Monitoring/evaluating implementation
- Ensuring sustainability

Donor Framework for TCB (continued)

- Common elements—all functions require a clear understanding of
 - Role and importance of trade to national economy
 - Political and social conditions that affect trade and those who participate in trade activities
 - National trade policy framework
 - Role, functions, and performance of national trade institutions
 - Local capacity to implement national trade strategies.



Needs analysis

- Checklist of issues
 - Trade policy
 - Public sector import and export regime
 - Investment regime
 - Trade finance
 - Trade infrastructure
 - Comparative advantage and competitiveness

Needs analysis—Trade policy

- Political commitment to trade liberalization
- Budgetary support for public sector trade functions
- Interagency coordination
- Consultation with legislature
- Consultation with stakeholders
- Consultation/coordination with trade partners/international coalitions
- WTO and RTA representation
- Representation in international technical standards bodies
- Public and private sector trade research and analysis

Needs analysis—Public sector import and export regime

- Import regime
 - Tariff dependence
 - Tariff structure (peaks and escalation)
 - Non-tariff barriers
 - Bonding and customs clearance
- Export regime
 - Incentives, credits and subsidies
 - Export processing zones
 - Tariff buyback
 - Public sector export promotion

Needs analysis—Investment regime

- Transparency and administrative practices
- Restrictions and requirements of foreign investment (TRIMs)
- Government procurement restrictions
- Exchange rate stability
- Incorporation regulations
- Capital repatriation
- Access to international arbitration
- Development and enforcement of contract, property and commercial laws
- Protection of intellectual property

Needs analysis—Trade finance

- Specialized trade finance services
- Specialized trade insurance services
- Associations with multinational banks and financial services institutions

Needs analysis—Trade infrastructure

- Competition/privatization, efficiency, and comparative costs in services in
 - Telecommunications
 - Air transportation
 - Surface transportation
 - Ports
 - Warehouse and storage
 - Specialized freight forwarding
 - Standards and certification



Needs analysis—Comparative advantage and competitiveness

- Traditional exports
- Economic diversification
- Factor endowments and comparative advantage
- Environmental sustainability and other externalities
- Forward and backward linkages (incl. employment and poverty)
- Public ownership, control, and oversight over production/supply
- Foreign trade barriers



Needs analysis—Comparative advantage and competitiveness

(continued)

- Other international competitive constraints (market concentration, balance of global production capacity/demand)
- Business education, training, and other technical resources
- Private sector trade-related organizations (including contributions to public policy)
- Private sector access to information on international market opportunities
- Private sector linkages with international marketing and distribution networks



Monitoring/evaluation— Performance indicators

- Enhancing country participation in world trade
- Ensuring trade reforms and policy formulation
- Enhancing human and institutional capacity to participate in international trading system
- Organizing trade capacity development activities
- Enhancing institutional aspects of the implementation of international trade agreements
- Setting up and enhancing institutional capacity for policy formulation and implementation



Monitoring/evaluation— Performance indicators

Country share of world trade
Trade share of GDP

Trade reform measures undertaken

- Enhancing country participation in world trade
- Enhancing trade reforms and participation
 - Scope of participation
 - Number of firms/sectors
- Enhancing human and institutional capacity to participate in international trade
 - Participation in WTO/Regional trade negotiations
 - Operational enquiry points for GATS, TBT, SPS
 - Private sector input to relevant WTO notifications
- Organizing trade capacity development
- Enhancing institutional aspects of the implementation of international trade agreements
 - National consultative bodies? Participation? Implementation strategies?
- Setting up and enhancing institutional capacity for policy formulation and implementation

Monitoring/evaluation— Performance indicators (continued)

- Developing access to information on trade issues and networks between public and private sectors
- Setting up coordination mechanisms on WTO matters at national level
- Adapting domestic legislation and regulations to international trade agreements
- Enhancing private sector competitiveness
- Using multilateral mechanisms to protect rights

Monitoring/evaluation— Performance indicators (continued)

- Developing access to information on trade issues and networks between public and private sectors
 - Info to government and private sector
 - Sources, timeliness, accuracy
 - Operational reference centers?
- Setting up coordination mechanisms on WTO matters at national level
 - National committees/coordinating bodies for WTO-related issues?
 - For other trade policy issues?
- Adapting domestic legislation and regulations to international trade agreements
 - New laws and regulations notified?
 - Legislative reforms agreed by government?
 - Have exports by local producers increased?
- Enhancing private sector competitiveness
- Using multilateral mechanisms to protect rights
 - Results of WTO D/S and safeguard mechanisms

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Key multilateral donors—Geneva-based

- WTO explains trade agreements/ negotiations and trains government officials
- UNCTAD runs seminars on negotiations, assists countries with WTO accession, commissions research
- ITC provides TA for export development strategies, private-sector oriented training on WTO issues

Key multilateral donors—Geneva-based (continued)

- WIPO supports TRIPS implementation through training, automation of IP administration, TA and model laws. Has budget of around US\$60m for 2002 and 2003.
- WCO provides training and technical assistance on customs modernization. It has a small budget (US\$0.5m) for expert missions/seminars, so majority of programs are funded by other donors.



Key multilateral donors—Not Geneva-based

- World Bank has lead on economic policy reforms, customs modernization, supply side capacity development, regulatory frameworks
- IMF leads on macroeconomic policy advice (exchange rate, fiscal policy) and limited TA (e.g., VAT reform)
- UNDP advocacy and donor-coordination role, provides funding for specialist UN agencies at country level
- IADB and AsDB most active regional banks in trade sector



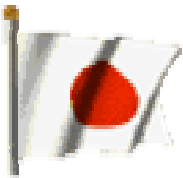
Key bilateral donors



UK support focused on trade policy (eg \$10m Africa regional project). Influential in IF, lead role in Nepal and Lesotho. Emphasizing pro-poor agenda. More multilateral delivery and budget support. \$50m TCB commitment 2001-04.



Canada focused on TA and training. Has worked closely with DFID. Supports multilateral initiatives but bilateral projects still popular. Active in Caribbean, Asia, Eastern Europe.



Japan favors bilateral programs in trade facilitation infrastructure and institutions. Support concentrated in Asia.



Key bilateral donors (continued)

- EU a major player in Eastern Europe (TACIS) and regional initiatives in Africa (e.g., COMESA). Emphasis on implementation of WTO agreements (e.g., TRIPS in Pakistan). Made major commitment to TCB for ACP countries under Cotonou.
- Switzerland and Germany also active in trade-related areas, both multilateral and bilateral programs.
- Scandinavian countries small but active contributors to multilateral initiatives.



Doha Commitments on TCB

- Commitments throughout declaration
 - Para 16 (market access); Para 21 (investment); Para 24 (competition); Para 26 (government procurement); Para 27 (trade facilitation), Para 33 (environment), Para 42-3 (LDCs)
- General commitments on TCB (para 38-41)
 - Encourage developing countries to use trade to reduce poverty
 - Priority for small, vulnerable countries + non-residents
 - Importance of better donor coordination
- More funding
 - 80% increase in WTO regular budget for TA
 - WTO Doha Development Agenda Global Trust Fund (target size \$9m)

Mainstreaming trade into development strategies

- A definition:

“Identifying priority areas for trade reform and development and integrating them into the national development plan.”
- Implicit features
 - Comprehensive analysis and consultative process
 - TCB and policy reform, high levels of donor/host co-ordination
 - Addressing adjustment and sequencing issues
 - Pro-poor agenda

Integrated Framework

- Created in 1996 for LDCs, 6 agencies
 - Political commitment at Singapore WTO Ministerial
 - WTO, UNDP, ITC, World Bank, UNCTAD, IMF
 - Demand-driven, improved donor coordination
- Problems experienced
 - Lack of buy-in by LDCs and key donors
 - Bureaucratic, lack of resources
 - TCB needs assessments not integrated with development strategies or prioritized

Integrated Framework (continued)

- Upgraded in 2001, new developments
 - Trust Fund established (managed by UNDP)
 - IF Steering Committee, with LDC and bilateral donor members
 - Needs assessments replaced by trade integration strategies
 - World Bank now has lead in the field
 - Piloted in Cambodia, Madagascar, Mauritania
 - 5 more planned, including Nepal, Malawi, Lesotho
 - New mantra: mainstreaming trade into development strategies



Integrated Framework (continued)

- Is it working now?
 - Too early to tell. Concerns it may be now too donor-driven.
 - Trade integration strategies are very long and detailed.
 - Can they be fed into the PRSPs meaningfully?
 - Will LDCs adopt policy reforms identified?
 - Will donors deliver as foreseen or do “business as usual”?